United Nations E/CN.3/2004/19

Economic and Social Council

Distr.: General
10 December 2003

Original: English

Statistical Commission
Thirty-fifth session
2-5 March 2004
Item 5 of the provisional agenda*
Natural resources and environment statistics

Report of the London Group on Environmental Accounting

Note by the Secretary-General

In accordance with a request of the Statistical Commission at its thirty-fourth session,** the Secretary-General has the honour to transmit the report of the London Group on Environmental Accounting. The Commission is requested to review the work programme, proposed future plans and organization of the London Group.

* E/CN.3/2004/1.

** See *Official Records of the Economic and Social Council, 2003, Supplement No. 4* (E/2003/24), chap. I.A.

03-65150 (E) 301203

Report of the London Group on Environmental Accounting

I. Introduction

1. In 1993, the United Nations Statistics Division issued *Integrated Environmental and Economic Accounting* (SEEA) as an interim handbook. In 1997, the Statistical Commission requested the London Group on Environmental Accounting to undertake a revision of SEEA. In 2003, the United Nations, the European Commission, the International Monetary Fund (IMF), the Organisation for Economic Cooperation and Development (OECD) and the World Bank issued, on the recommendation of the Statistical Commission, the final draft of *Integrated Environmental and Economic Accounting 2003* (SEEA-2003) on the Internet (http://unstats.un.org/unsd/environment/seea2003.htm) and as a "white cover publication". SEEA-2003 is currently being officially edited and a glossary and an index are being finalized.

2. Until 1997, the London Group served primarily as a forum for exchange of information on country experience in the compilation of SEEA. After a mandate was given to the London Group by the Statistical Commission to undertake a revision of SEEA, its meetings were fully devoted to the discussion of the draft chapters of SEEA-2003. At the conclusion of the final meeting on SEEA revision in Voorburg, the Netherlands, in 2001, it was recognized that despite the considerable progress in the area of environmental accounting presented in the revised SEEA, much methodological and practical work remained to be done. The London Group agreed that sharing country experience would continue to be a valuable way to advance theory and practice of environmental accounting. It also agreed that the Group should devote a significant portion of its efforts to advancing the theory and practice of environmental accounting. As a result of those considerations, the most recent meeting of the London Group, which was hosted by the Food and Agriculture Organization of the United Nations (FAO) in Rome (5-7 November 2003), was a combination of exchange of country experience and discussion of handbooks on best practices. Two handbooks, one on fishery resource accounting and another on water accounting, were presented. The handbook on fishery resource accounting will be submitted for publication by the United Nations, FAO and the United Nations University by the end of 2003.

3. The London Group spent much time in Rome discussing the lessons learned from the SEEA revision process and the future of the London Group. The present report reflects the conclusions of the meeting in two main areas: the London Group's future work plan and its organization.

II. Future work of the London Group

4. The London Group will continue the work it began during the SEEA revision to provide leadership in defining international best practices in the theory and practice of environmental satellite accounting within the framework of the System of National Accounts. It will also continue to provide a forum for the sharing of national and international expertise and experience in this field. In order to achieve the above objectives, the Group has agreed to work in three strategic directions:

(a) Consolidate work in those areas that are already advanced through the preparation of handbooks providing methodological and practical guidelines on the implementation of selected components of SEEA-2003 (e.g., water and mineral resources accounting);

(b) Continue theoretical and practical development of components of environmental accounting that are not yet well advanced. This will be accomplished through ongoing discussion of specific issues selected by the London Group at its meetings. Discussions will take place between meetings and will involve those participants with the strongest interest and/or experience relating to the issue at hand;

(c) Assist in promoting the implementation of SEEA-2003 in countries and the use of environmental accounts to inform policy debates at the national and international levels.

5. As a mode of operation to meet the first and second strategic directions above, the London Group has agreed to create working groups on selected topics. Four such groups were identified in Rome, one on water accounting (to be moderated by the United Nations Statistics Division), another on energy and mineral resource accounting (to be moderated by Statistics Denmark), a third on policy uses of environmental accounts (to be moderated by Statistics Sweden and the European Environment Agency) and a fourth on means of introducing social dimensions into environmental accounts as a basis for contributing to sustainability assessment (to be moderated by Statistics Sweden). Electronic discussion groups on those topics will be established; the precise scope and objectives for their work will be determined by their members, but some of their objectives were discussed in Rome, as described below.

6. The working group on water accounting will:

(a) Review and provide input on the draft handbook on *Integrated Environmental and Economic Accounting for Water Resources*;

(b) Contribute to the electronic discussion group on terms and definitions related to water accounting established by the United Nations Statistics Division and Division for Sustainable Development with a view to harmonizing the definitions and classifications used in international questionnaires with the accounting framework;

(c) Prepare an issue paper on the expansion of the water accounting framework to social aspects;

(d) Contribute to the discussion on water indicators that will be a topic in the next *World Water Development Report*.

7. The working group on energy and mineral resource accounting will:

(a) Carry out a survey on country practices in the compilation of mineral resources accounting;

(b) Prepare guidelines on the compilation of subsoil asset accounts;

(c) Consider the discussions of the Canberra II Group on the Measurement of Non-Financial Assets as they relate to subsoil assets.

8. The working group on policy uses of environment-economic accounts will:

(a) Identify policy needs in relation to environmental accounting;

(b) Identify means to communicate with the user community so as to promote the usefulness of environmental accounts in the policy process;

(c) Identify current applications of environmental accounts in the policy process.

9. The working group on introduction of social dimensions will coordinate and prepare an issue paper on how a limited number of social variables could be included in SEEA to contribute to the analyses on sustainable development.

10. In terms of the promotion of the application of SEEA (the third strategic direction), the London Group stressed the importance of maintaining links between data producers and users. Environmental accounts have now reached a level of methodological development that justifies their entry into the mainstream. In particular, the accounts should be better integrated with existing environmental data-collection and indicator activities and could be used more frequently in the policy process. The London Group will seek opportunities to promote these objectives at the national and international levels.

III. Organization of the London Group

11. The London Group was established in 1994 by the Office for National Statistics of the United Kingdom, Statistics Canada and the Statistical Office of the European Communities (Eurostat). It met for the first time in London (hence its name). During the London Group's initial period, the founding agencies and host countries provided coordination and planning of meetings (proceedings, agenda, communications, etc.). In 1997, a secretariat was established at Statistics Canada following a meeting held in Ottawa.

12. When the London Group took on the challenge of SEEA revision, additional coordination was required, which resulted in the involvement of the international agencies that would eventually publish the handbook (Eurostat, IMF, OECD, World Bank and the United Nations Statistics Division) in a formal coordinating committee for the London Group established in 1999. The committee also comprised Statistics Canada (as secretariat) and the previous and future host organizations to ensure continuity.

13. With the completion of SEEA-2003, the need for coordination is less urgent. At the meeting in Rome, it was agreed that a smaller coordinating committee would be retained, comprising Statistics Canada (as secretariat), the future host organization and the United Nations Statistics Division. The committee is open to other member organizations as well if they wish to participate.

14. The role of the coordinating committee is to:

(a) Coordinate the activities of the London Group, including the organization of its meetings and preparation of its proceedings;

(b) Identify priority areas of work, in consultation with the members of the London Group;

(c) Facilitate the creation and functioning of working groups on selected practical or theoretical topics;

(d) Assist in the coordinating of environmental accounting activities at the international level by maintaining communication with the Intersecretariat Working Group on National Accounts and the Inter-Agency Working Group on Environment Statistics;

(e) Promote the use of SEEA-2003 and environmental-economic accounts in general as a framework for data collection and indicators and for policy uses.

15. The London Group web site (http://www4.statcan.ca/citygrp/london/london.htm), maintained by its secretariat, played an important role during the revision of SEEA by ensuring that the international community was informed of the developments in the revision process and providing opportunities for commenting on draft chapters. At the most recent meeting in Rome, it was agreed that the web site will continue to serve as the main tool for the London Group to communicate with other organizations with an interest in environmental accounting.

Participation in the London Group

16. The London Group is open to the participation of countries that are active in environmental accounting. Until 1997, its meetings were attended mostly by developed countries. During the SEEA revision process, developing countries with experience on environmental accounting were invited to attend the meeting with the financial assistance of the United Nations Statistics Division.

17. The practice of having a range of countries with various environmental concerns is considered useful and the group has encouraged the United Nations Statistics Division to continue funding the participation of developing countries.

18. In order to maintain its focus the London Group agrees that participation in its meetings will be limited to statistical offices and international agencies with active, well-developed programmes of environmental accounting. Experts on specific topics will be invited on an ad hoc basis.

Frequency of meetings

19. The London Group has agreed to continue meeting on a yearly basis. The next meeting will be hosted by Statistics Denmark and is tentatively scheduled for September 2004 in Copenhagen. The newly established working groups may decide to meet on an ad hoc basis, when necessary, to facilitate their work.

IV. Points for discussion

20. The Commission may wish to review the London Group's work plan and the organization of its work.